SUBJECT: Funding for the Replacement, Repair, Modification,
           and Testing of Property

1. PURPOSE

This instruction establishes policy and prescribes procedures

for funding the replacement of lost, damaged, or deteriorated

property, and the modification, repair, or testing of

property for which payment is made from the Office of Logistics

(OL) Materiel Procurement Account (MPA). Specifically, such

transactions include:

a.   The replacement or repair of items lost, damaged, or

     deteriorated in shipping, handling, or storage.

b.   The testing to destruction of stock items.

c.   The modification of ~~OL cognizant~~t stock items.

d.   The repair of OL cognizant items returned to stock (PTI).

2. GENERAL

The 5 percent surcharge added to the cost of every stock item

at the time of receipt, regardless of whose funds procured

the item, is to compensate OL's MPA for normal operating

losses. Such losses include pilferage, damage, deterioration,

obsolescence, physical inventory shortages, surveillance

testing, and replacement of lost or damaged shipments.

3. POLICY

The OL will bear the cost of paragraph | transactions as follows:

a. The OL will replace or repair any item lost or damaged in shipment, handling, or storage, whether a stock item or a direct procurement item (with the exception of accommodation procurements), except that any cost exceeding $5000 per line item will be subject to review and approval by the Chief, Supply Division (SD), OL.

b. Stock items will normally be issued at no cost to the requisitioner for the purpose of testing to destruction, subject to the approval of the Chief, SD/OL. This includes items consumed in tests of another item, e.g., film to test a camera, ammunition to test a weapon, etc.

c. The OL will replace or rehabilitate any inventory item that deteriorates in storage, except that in the case of items procured with MPA allocated to another cognizant office, the following restrictions apply:

(1) The OL will not replace or rehabilitate items which have deteriorated due to prolonged storage caused by the cognizant office acquiring excessive stocks of the item. This determination will be made by the Chief, SD/OL.

(2) Repair or replacement costs in excess of $5000 for a single line item will be subject to review by the Chief, SD/OL, and possible negotiation with the

cognizant office.

d. The OL will fund modifications to stock items except
when the modification is requested by a specific component
outside OL and is beneficial only to that component.

4. PROCEDURES

a. When OL is to provide funding for subject transactions
as determined per paragraph 3 above, SD will initiate
the appropriate action. Form 88, Requisition for
Materiel and/or Services, or Form 1245, Stock Procurement
Requisition, will be used as appropriate. Form 2420,
Request for Procurement Services, is not applicable
since payment is made from OL's MPA.

b. The issue of an item from stock for the purpose of
testing it to destruction, or to use it for the repair
or modification of another stock item, or to replace an
item lost or damaged beyond repair will cite, for record
purposes, Property Requisitioning Authority (PRA)
Financial Analysis Number (FAN) (8)178-5710, with the
first digit changing with the fiscal year. If the
transaction involves [   ], the 5710   STATINTL
will become 5720. The Transaction Analysis Code (TAC)
for Inventory Control System (ICS) input will be 6M.

c. The procurement of a replacement item for an item lost
or damaged/deteriorated beyond repair will cite the
PRA for record purposes and MPA FAN (8)188-5710 (or 5720

STATINTL if at ☐   If the procurement is for replacement of a

stock item issued per paragraph b immediately above,

Form 1245 is used, citing MPA FAN (8)188-5710.

d. Contractual services and other direct charges for the

repair or modification of an item will cite PRA and MPA

as for procurement of replacement items, paragraph c

immediately above. These transactions are non-FPA, and

are not input to the Inventory Control System except for

condition changes. Form 88 is used.

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